
FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426



NEWS RELEASE

NEWS MEDIA CONTACT:

Bryan Lee
(202) 502-8680

FOR IMMEDIATE RELEASE

February 16, 2006
Docket Nos. EL06-16, RM06-5,
RM06-13 and RM06-14.

COMMISSION RESCINDS MARKET BEHAVIOR RULES 2 AND 6, CODIFIES OTHER BEHAVIOR RULES IN REGULATIONS

The Federal Energy Regulatory Commission today rescinded its electric Market Behavior Rules 2 and 6, effective on publication in the *Federal Register*, and adopted a final rule to codify Market Behavior Rules 1, 3, 4 and 5 in the Commission's regulations.

The Commission also made parallel changes to the regulations governing natural gas sales and agreed to propose a rule to extend the record retention requirements for jurisdictional wholesale sellers of electricity and natural gas from three to five years.

"Today's actions will go a long way toward protecting consumers from unscrupulous behavior while providing clarity to the industry as to what is expected from them. This simplifies the Commission's rules and regulations, avoids confusion and provides greater regulatory certainty," said Commission Chairman Joseph T. Kelliher.

The Commission issued its Market Behavior Rules in November 2003 to fill a void in the regulation of market-based energy sales activity. The main purpose of the rules was to prohibit manipulation in the wholesale electricity and natural gas markets subject to the Commission's jurisdiction, as embodied in Market Behavior Rule 2 and its natural gas counterpart in part 284 of the Commission's regulations.

Market Behavior Rule 2, and its natural gas analog in part 284 of the Commission's regulations, are no longer necessary as they have been supplanted by last month's issuance of Order No. 670, the final rule implementing the Commission's new anti-manipulation authority under the Energy Policy Act of 2005. The Commission also rescinded Market Behavior Rule 6 because its regulatory purpose is captured in market-based rate sellers' codes of conduct, the Commission's Standards of Conduct, and Order No. 670's new anti-manipulation regulations.

Based on comments received prior to the promulgation of the Market Behavior Rules in November 2003 and the initial and reply comments received in connection with the Commission's November 2005 proposal to repeal the Market Behavior Rules, the Commission today decided to codify, without any substantive change, Market Behavior Rules 1, 3, 4, and 5 in the Commission's regulations, and to retain the applicable rules for natural gas in part 284 of the Commission's regulations. The Commission's codification of Market Behavior Rules 1, 3, 4, and 5 is purely procedural and does not alter the rights or obligations of parties, and imposes no new regulatory burden.

The codified Market Behavior Rules require sellers to:

- operate and schedule generating facilities, undertake maintenance, declare outages, and commit or otherwise bid supply in a manner that complies with the rules and regulations of the applicable power market (formerly Market Behavior Rule 1);
- provide accurate and factual information and not submit false or misleading information, or omit material information, in any communication with the Commission, market monitors, regional transmission organizations, independent system operators, or similar entities, under a due diligence standard (formerly Market Behavior Rule 3);
- provide accurate and factual information, if they report transactions to price index publishers, in accordance with the standards of the Policy Statement on Natural Gas and Electric Price Indices, issued in Docket No. PL03-3 on July 24, 2003, and to notify the Commission of changes in their reporting status (formerly Market Behavior Rule 4); and
- retain for a period of three years all data and information necessary for the reconstruction of the prices they charge, and the prices they report for use in published price indices (formerly Market Behavior Rule 5).

Comments on the proposal to extend the record-retention requirement from three to five years will be due 30 days after publication in the *Federal Register*.